

**EAST AFRICAN CABLES (TANZANIA) LIMITED**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **CORPORATE INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **DIRECTORS**

The names of the directors as at 31 December 2022 who served the Company for the year are as follows;

<b>Name of Director</b>	<b>Designation</b>	<b>Nationality</b>
Mr. George Njoroge	Chairman	Kenyan
Mr. Declan Mhaiki	Director	Tanzanian
Mr. Nuru A. Ndile	Director	Tanzanian
Mr. Sanjeev Anand	Director	Indian
Mrs.Elpinia Mlaki	Director	Tanzanian
Mr. Zahir Mohamed	Director	Kenyan
East African Cables Plc	Director	Kenyan -Represented by Paul Muigai

#### **REGISTERED OFFICE AND PLACE OF BUSINESS**

Plot No. 31,  
Nyerere Road, Kiwalani Industrial Area  
P.O. Box 508  
Dar es Salaam  
Tanzania

#### **COMPANY SECRETARY**

REX AND REGINA ATTORNEY AT LAW  
429 Mahando Street  
Msasani Peninsular  
P.O. Box 38568  
Dar es Salaam  
Tanzania.

#### **BANKERS**

EQUITY BANK TANZANIA LTD  
Golden Jubilee Towers  
P.O Box 110183  
Dar es Salaam  
Tanzania

#### **NATIONAL BANK OF COMMERCE**

Nyerere Road, Industrial Branch  
P.O. Box 40301  
Dar es Salaam  
Tanzania.

#### **MWANGA HAKIKA MICROFINANCE BANK**

18<sup>th</sup> Floor, Sky Tower, Bagamoyo Road  
P.O. Box 11735  
Dar es salaam  
Tanzania.

#### **ADVOCATES**

SAFARI AFRICA ARBITRATION &LEGAL  
Oyster Pearl Galleria  
Plot 370 Chole Road, Oyster Bay  
P.O. Box 12278  
Dar es Salaam  
Tanzania

#### **AUDITOR**

RSM EASTERN AFRICA - PF #197  
Certified Public Accountants,  
Plot 1040, Haile Selassie Road, Masaki  
P.O Box 79586  
Dar es Salaam  
Tanzania

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### REPORT OF THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31<sup>st</sup> December 2022, which disclose the state of affairs of East African Cables (Tanzania) Limited herein referred as the "Company" as at that date.

#### 1. INCORPORATION

The Company is incorporated in Tanzania under the Tanzanian Companies Act 2002 as a private Company limited by shares and is domiciled in Tanzania. The address of the registered office is set out on page 1.

#### 2. PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of electric cables and conductors as well as distribution of telecom, structured, fibre optic cables and accessories. The Company serves the following markets with its products: Utility companies, Rural Electrification Authority (REA) and his contractors, construction companies, mining projects, distributors and retailers and end users. The Company has a manufacturing facility located along Nyerere Road, Kiwalani industrial area from where it carries its operations. The Company carries its operations in accordance with applicable legislative and regulatory laws such as those of Companies Act 2002, Tanzania Revenue Authority (TRA), Occupational Safety and Health Authority (OSHA), National Environment Management Council (NEMC).

#### 3. RESULTS AND DIVIDENDS

The net loss for the year of TZS 3.57 billion (2021: TZS 1.45 billion) has been transferred to accumulated losses. The directors do not recommend the declaration of dividend of the year.

#### 4. PERFORMANCE FOR THE YEAR

During the year the Company recorded a loss before tax of TZS 3.49 billion (2021: TZS 1.93 billion), an increase of 81% as compared to previous year. In the year 2021, the Company recognised write backs from old receivables and interest awarded by the court on receivables, this helped reduce the loss for the year by TZS 2.9 billion. Without these write backs the loss for 2021 could have been TZS 4.83 billion, hence in comparison with the current year absolute loss could have dropped by 28%.

The Company operated from only one outlet located at its manufacturing facility. The company has no branches or distributors.

A summary of key ratios obtained from the financial statements laid out in pages 16 and 17 of this report is outlined below:

Key ratios	2022	2021
Growth in Turnover	61%	301%
Increase / (decrease) in operating expenditure	4%	(3%)
Increase / (decrease) in loss before tax	81%	(59%)
Gross profit margin	20%	20%
Net loss margin	(44%)	(39%)
Inventory turnover days	77	98
Trade receivables turnover days	53	78
Current ratio	0.14	0.17
Acid test ratio	0.10	0.11

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **4. PERFORMANCE FOR THE YEAR (Continued)**

Growth in revenue by 61% in the current year from the previous year was mainly due to increase in uptake from REA contractors and mining customers. Reduction of inventory days was due to approach taken by management of not keeping finished inventory in store rather produce based on customer order.

Trade receivables turnover days reduced due to cash or near cash sales policy adopted by management to reduce the risk of customer default.

The entity's performance has been influenced by the strong relationship with its key stakeholders, customers, suppliers, and employees. In the 5-year strategic plan being implemented management is focussing on 4 key pillars that is; sustained Profitable growth, Unrivalled customer loyalty, Value chain efficiency and building performance driven market focussed culture while leveraging on the existing strong stakeholder's relationship to achieve set objectives.

#### **5. BUSINESS OBJECTIVES**

The Company's vision is to be the most innovative and preferred energy connectivity solution provider in East, Central and Southern Africa.

To maximize shareholder value, the Company has set goals and strategies in its 5-year strategic plan to deliver sustainable profitable growth. The implementation for these goals and strategies is on-going and its effects can be seen in current year revenue growth. Some of the strategies being implemented include revenue and profit growth sustainability, cost rationalisation, market share growth, value chain efficiency, employee learning and development among others.

The implementation of the 5-year strategic plan has continued to improve its turnover by offering value for money to its customers, focusing on profitable market segment such as mining and cost rationalisation. The Company will continue to offer value for money, concentrate on profitable market segments and tapping into new markets such as new mines, Standard Gauge Railway (SGR), Mwalimu Nyerere hydro projects among others.

With a view of extending its profitability, the Company in the next 2 years, intends to expand, tap into new market segments, expand its products offering and build a culture of customer excellence.

This will require an additional investment of \$3 million. The Company will be engaging financial institutions such as Mwangi Hakika bank for funding to bridge the gap.

Management is in the process of implementing a 5-year strategic plan aimed at making the company profit sustainable by the year 2025. The Company is optimistic that the success of this strategic plan will see the business grow its current revenues by 422% by the year 2025.

#### **6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

We remain conscious of Environmental, Social and Governance issues and have identified better ways of measuring what we have been doing.

Our manufacturing operations have been improved to reduce the amount of water consumed during production of cables. This water is used in cooling extruded insulation and sheathing material. The cooling system is a closed circuit with no spillage and minimal evaporation. This water is restored and used in the production process for a couple of months. We aim to reduce consumption of water as we increase production tonnage.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

#### 6. ENVIRONMENTAL, SOCIAL AND GOVERNANCE (Continued)

The management has put in place a committee example TPM taskforce and KAIZEN whose mandate is to assess potential incidences related to safety, making recommendations on how such risks can be mitigated and ensuring implementation of those recommendations.

We believe that everyone possesses a fundamental human right to safety and it is our duty to respect and foster that right. The Management and Tanzania Union of Industrial Commercial Organisation (TUICO) strive to implement best practices in human resources management and personnel policies.

#### 7. CAPITAL STRUCTURE AND CASH FLOWS

The capital structure of the Company is outlined below and there are no expected changes to the structure.

Name of shareholder	Percentage	Number of shares
East African Cables PLC	51%	16,218,000
Tanzania Development Finance Ltd	10%	3,180,000
Tanzania Electric Supply Company Limited (TANESCO)	10%	3,180,000
Government of Tanzania – Treasury Registrar	<u>29%</u>	<u>9,222,000</u>
<b>Total number of shares as at year end</b>	<b><u>100%</u></b>	<b><u>31,800,000</u></b>

#### 8. DIRECTORS

The directors of the Company during the year and up to the date of this report are as shown on page 1.

Directors' interest in the shareholding of the Company is shown below.

Name of Director	Number of Shares	% Shareholding
Mr. G. Njoroge	Nil	-
Mr. D. Mhaiki	Nil	-
Mr. N. Ndile	Nil	-
Mr. S. Anand	Nil	-
Mrs. E. Mlaki	Nil	-
Mr. Z. Mohamed	Nil	-
East African Cables Plc	16,218,000	51%

#### 9. STAKEHOLDERS RELATIONSHIP

During the year Mwanga Hakika Bank renewed the working capital facility which expired in October 2022 for a period of 1 Year. This will enable the Company access raw material purchase facilities such as letter of credit, bank guarantees and short-term loans thus helping the Company manage its cash flows. The bank also issued bank guarantees in favour of Copper raw material supplier, which has improved greatly our credibility to our key raw material supplier.

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

#### **10. COMMERCIAL AWARENESS AND OPERATIONAL RISKS**

Increased competition in the industry from new entrants and already existing peers with advanced and modern equipment has significantly eaten into the Company's market share. The Company in its 5-year strategic plan has highlighted gradual machine and equipment upgrade as key towards gaining competitive advantage. The old machines will be disposed of, and cash raised injected back into the business.

Continued global -political instability, Russian-Ukraine war and possible economic crisis have adversely affected metal prices especially the first half of the year, the cost of key materials used in the production of cables that is Copper and Aluminium skyrocketed, hence affecting our margins. Metal prices are now relatively stable, though volatile.

#### **11. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

To ensure its financial stability and profitability, the Company has implemented policies and practices for a sound and prudent management and control of the principal financial risks to which it is exposed.

The Company's overall risk management programme focuses on the identification and management of risks and seeks to minimize potential adverse effects on its financial performance. A summary of the risk management procedures is disclosed in Note 23.

#### **12. LIQUIDITY**

The Company has financing arrangements with banks. Details of the borrowings are disclosed in Note 17.

#### **13. CORPORATE GOVERNANCE**

The Company has a code of ethics' which all staff are required to abide by.

We believe in adopting the best practices in Corporate Governance. The Board, Management and the Company employees are committed to upholding the core values of transparency, integrity, honesty, and accountability, which are fundamental to the attainment of good governance and excellent performance in any organization.

##### **Members charged with governance**

The Board is responsible and accountable for providing effective corporate governance, direction, and control of the Company. The directors have a duty to exercise leadership, enterprise, integrity, and judgment based on transparency, fairness, accountability, and responsibility.

The Board is responsible for appointing the management, adopting a corporate strategy, policies, procedures and monitoring operational performance including identifying risks impacting the company. It is also responsible for managing good relationships with all the stakeholders, Chairman, Vice Chairman, General Secretary, Secretary and Treasurer.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 13. CORPORATE GOVERNANCE (Continued)

##### Composition of Directors

The board of directors comprised of 7 non-executive directors with a mix of skills, experience, and diversity. The Directors who were in office from 1 January 2022 to the date of this report are:

Name	Age (Years)	Nationality	Profession	Date of appointment
Mr. George Njoroge	74	Kenyan	Electrical Engineer	17 <sup>th</sup> Apr 2012
Mr. Declan Mhaiki	60	Tanzanian	Electronics Engineer	10 <sup>th</sup> Jun 2008
Mr. Nuru Ndile	48	Tanzanian	Economist	20 <sup>th</sup> Mar 2019
Mr. Sanjeev Anand	66	Indian	Accountant and Finance	28 <sup>th</sup> Jun 2018
Mrs. Elipina Mlaki	70	Tanzanian	Accountant and Finance	6 <sup>th</sup> Feb 2014
Mr. Zahir Mohamed	46	Kenyan	Engineer	17 <sup>th</sup> Dec 2018
Mr. Paul Muigai (Representing East African Cables Plc)	57	Kenyan	Mechanical Engineer	14 <sup>th</sup> Nov 2017

The appointment of the directors is in line with the Memorandum and Articles of Association of the Company, as well as the requirements of the Tanzanian Companies Act, 2002.

Outlined below is the attendance of the members at the quarterly board meetings, held during the year:

Name	Designation	Attendance
Mr. George Njoroge	Chairman	3/3
Mr. Declan Mhaiki	Director	3/3
Mr. Nuru Ndile	Director	1/3
Mr. Sanjeev Anand	Director	3/3
Mrs. Elipina Mlaki	Director	3/3
Mr. Zahir Mohamed	Director	2/3
Mr. Paul Muigai (Representing East African Cables Plc)	Director	3/3

##### Directors evaluation and training

The Board itself regularly undergoes self-assessment and evaluation to improve the internal Governance of the Board. Training is provided to ensure the Board keeps abreast with current developments in the market. In 2022, TransCentury PLC, held training for Directors on 13<sup>th</sup> -14<sup>th</sup> October 2022 in Nairobi. The cost of the training was borne by TransCentury PLC.

##### Committees of the Board

The board has four standing committees namely: The Audit, Risk and Compliance Committee, Human Resources and Remuneration Committee, Commercial Committee, and Finance and Strategy Committee. These committees meet regularly under the terms of reference set by the board.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 13. CORPORATE GOVERNANCE (Continued)

##### Audit, Risk and Compliance Committee

###### Membership

The Audit, Risk and Compliance committee consists of four (4) non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee met three times in the year. Attendance included internal and external auditors, as well as permanent invitees from management. Members of this committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Director	Attendance
1	Julius W. Mwatu	Committee chair	Non-Executive	3/3
2	Mr Nuru Ndile	Member	Non-Executive	2/3
3	Mr Sanjeev Anand	Member	Non-Executive	3/3
4	Mr. Declan Mhaiki	Member	Non-Executive	3/3
5	Mr Paul Muigai	Member	Executive	3/3
6	Mr Joseph Kinyua	Member	Executive	3/3

To fulfil its oversight responsibility, the Audit Committee receives reports from management, the internal auditors, external auditors, or any independent consultant it may have engaged during the year.

The committee's responsibilities include:

- Risk management, internal controls, and regulatory compliance. Review and assess the company's risk management process and the adequacy of the overall control environment.
- Consider the adequacy and scope of internal and external audit, monitor their effectiveness, and ensure implementation of audit recommendations,
- Ensuring integrity of financial information and communication to shareholders. Review financial statements and recommend their approval to the board of directors.
- Reviewing annual budgets.

The audit, risk and compliance committee is comprised of members who are well experienced in financial matters including reporting and risk management.

##### Human Resource and Remuneration Committee

###### Membership

This committee consists of two non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required.

The committee met twice in the year. Members of the committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Director	Attendance
1	Mr Declan Mhaiki	Committee chair	Non-Executive	2/2
2	Mrs Elipina Mlaki	Member	Non-Executive	2/2
3	Mr Paul Muigai	Member	Executive	2/2
4	Mr Joseph Kinyua	Member	Executive	2/2

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

#### 13. CORPORATE GOVERNANCE (Continued)

##### Functions of the Human Resource and Remuneration committee

This committee is charged with the oversight of establishment, maintenance and administration of the Group and Company's compensation programs, including reviewing and approving the Chief Executive Officer's and other management compensation reviews. The committee also advises the Board on the development of and succession of key executives.

##### Finance and Strategy Committee

This committee consists of four non-executive directors and reports to the board after every committee meeting. It meets quarterly or as required, however since the committee was constituted in Quarter 3 of 2022, it met only once.

Members of the committee, together with a record of their attendance at scheduled meetings during the year are set out in the table below.

	Member	Designation	Director	Attendance
1	Mr George Njoroge	Committee chair	Non-Executive	1/1
2	Mr Sanjeev Anand	Member	Non-Executive	1/1
3	Mr Declan Mhaiki	Member	Non-Executive	1/1
4	Mr Paul Muigai	Member	Executive	1/1
5	Mr Joseph Kinyua	Member	Executive	1/1
6	Mr Zahir Saleh	Member	Non-Executive	1/1

The role of this committee is providing leadership in strategy development and implementation.

#### 14. EMPLOYEES

A founding value of our Company has been to provide equal opportunities and a workplace that is representative of the wider communities in which we operate. Our goal is to make sure we continue to empower the careers, aspirations, and ambitions of our people. We have been committed to treating all people equally and nurturing great talent, regardless of gender. This culture is something that we are incredibly proud of, and we believe that it is this supportive environment that has helped us to recruit and retain our exceptional team. We promote diversity within our business, our markets and beyond.

	2022	2021
No. of males	35	32
No. of females	9	8
<b>Total</b>	<b>44</b>	<b>40</b>

The day-to-day management of the Company is handled by various departments as outlined below:

Departments	Department Head	Responsibility/Function	No. of members
Administration	Mr Geoffrey Odhiambo	General Manager	5
Human Resource Management	Mrs Rifai Mukumba	HR Manager	
Production	Mr Baraka	Production Supervisor	20
Quality Assurance	Mrs Fatuma Pelewekwa	Quality Assurance Officer	5
Maintenance	Mr Lubasha Malenga	Maintenance	6
Finance	Mr Joshua Mauti	Finance Manager	3
Commercial	Mr Hamad Mohamed	Head of Commercial	5
<b>Total</b>			<b>44</b>

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**REPORT OF THOSE CHARGED WITH GOVERNANCE (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**14. EMPLOYEES (Continued)**

**Employees welfare**

The Company's employment terms are reviewed annually to ensure that they meet statutory and market conditions. The employee and employer contribute to NSSF. The Company does not contribute to any other private Pension Fund. To improve the motivation of employees, the Company provides training and holds regular meetings (quarterly).

Loans are available to all confirmed employees depending on the assessment of and at the discretion of management as to the need and circumstances.

**15. RELATED PARTY TRANSACTIONS**

Transactions with related parties during the year were in the normal course of business. Details of transactions and balances are included in Note 20.

**16. AUDITOR**

During the year, RSM Eastern Africa was appointed as the Company's auditor and has expressed its willingness to continue in office in accordance with the Tanzania Companies Act 2002. The details of the firm are provided on page 1.

**17. RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE**

The members charged with governance accept responsibility for preparing these financial statements which show a true and fair view of the Company to the date of approval of the audited financial statements, in accordance with the applicable standards, rules, regulations and legal provisions. The members also confirm compliance with the provisions of the requirements of TFRS 1 and all other statutory legislations relevant to the Company.

**By order of the Board of those charged with Governance**

.....  
**Name:**

**Director**

*09 May*

..... **2023**

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Tanzania Companies Act, [CAP.212 of 2002] requires the directors to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that: (a) show and explain the transactions of the Company; (b) disclose, with reasonable accuracy, the financial position of the Company; and (c) enable the directors to ensure that every financial statement required to be prepared complies with the requirements of the Tanzania Companies Act, [CAP.212 of 2002].

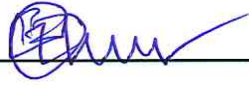
The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Tanzania Companies Act, [CAP.212 of 2002]. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors on 09 May..... **2023** and signed on its behalf by:

  
\_\_\_\_\_  
Name: \_\_\_\_\_  
Director

  
\_\_\_\_\_  
Name: \_\_\_\_\_  
Director

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**DECLARATION OF THE HEAD OF ACCOUNTING  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and Tanzanian Companies Act, 2002. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as under Statement of Directors Responsibilities on page 10.

I, Justin Gitia, being the Head of Accounting of East African Cables (Tanzania) Limited hereby acknowledge my responsibility of ensuring that financial statements for the year ended 31<sup>st</sup> December 2022 have been prepared in compliance with the International Financial Reporting Standards and the Tanzanian Companies Act, 2002.

I thus confirm that the financial statements give true and fair view position of East African Cables (Tanzania) Limited as at 31<sup>st</sup> December 2022 and that have been prepared based on the properly maintained financial records.



.....  
JUSTIN GITIA  
HEAD OF ACCOUNTING  
NBAA Membership No: TA CPA 2540

Date: 09 May..... 2023

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of East African Cables (Tanzania) Limited**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinion**

We have audited the financial statements of East African Cables (Tanzania) Limited ('the Company') set out on pages 15 to 50, which comprise the statement of financial position as at 31<sup>st</sup> December 2022, and the statement of profit or loss and other comprehensive income, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give true and fair view of the financial position of the Company as at 31<sup>st</sup> December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Tanzanian Companies Act, 2002.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Tanzania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to Note 1.1(b) (iii) to the financial statements, which indicates that the Company incurred a loss of TZS 3.57 billion during the year (2021: TZS 1.45 billion) and, as of that date, the Company's current liabilities exceeded its current assets by TZS 24.6 billion (2021: TZS 21.41 billion). As stated in note 1(b) (iii), these events or conditions, along with other matters as set forth in note 1 (b) (iii), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### **Other Information**

The directors are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT (Continued)**

**To the members of East African Cables (Tanzania) Limited**

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)**

#### **Responsibilities of the Directors for the Financial Statements**

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Tanzanian Companies Act, 2002, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT (Continued)**

**To the members of East African Cables (Tanzania) Limited**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (Continued)**


We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

This report, including the opinion, has been prepared for, and only for, the Company's members as a body in accordance with the Companies Act, 2002 of Tanzania and for no other purposes.

As required by the Companies Act, 2002 of Tanzania, we report to you, based on our audit, that:

- i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) The Report of those charged with governance is consistent with the financial statements;
- iii) In our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iv) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the accounting records; and,
- v) Information specified by law regarding directors' remuneration and transactions with the Company is appropriately disclosed.

  
.....

**Prabhjot Kaur**  
**FCPA 1619**  
**For and on behalf of RSM Eastern Africa**  
**Certified Public Accountants**  
**Dar es Salaam**



*9th May* 2023  
.....  
Ref: 041/2023

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 TZS '000	2021 TZS '000
Revenue from contracts with customers	2(a)	7,920,230	4,906,920
Cost of Sales	2(c)	(6,339,449)	(3,922,516)
<b>Gross profit</b>		<b>1,580,781</b>	<b>984,404</b>
Other income	2(b)	26,928	1,185,640
Factory expenses	2(c)	(773,759)	(649,125)
Administrative expenses	2(c)	(1,422,541)	(1,228,245)
Selling expenses	2(c)	(408,889)	(536,289)
<b>Loss before depreciation, finance costs and impairment losses</b>		<b>(997,480)</b>	<b>(243,615)</b>
Impairment (losses)/Writebacks	4(a)	(482,659)	545,505
Depreciation and amortisation	4(b)	(1,141,006)	(1,573,525)
<b>Results from operating activities</b>		<b>(2,621,145)</b>	<b>(1,271,635)</b>
Interest expense	5	(1,264,490)	(950,224)
Exchange gains	5	396,518	290,179
Net finance costs		(867,972)	(660,045)
<b>Loss before income tax</b>	6	<b>(3,489,117)</b>	<b>(1,931,680)</b>
Income tax (expense)/ credit	7(a)	(82,111)	482,471
<b>Loss for the year</b>		<b>(3,571,228)</b>	<b>(1,449,209)</b>
<b>Other comprehensive income</b>			
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>			
Re-measurement gain/ (loss) on defined benefit plan	16	59,194	33,393
Income tax effect	18	(17,758)	(10,018)
		41,436	23,375
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation of property, plant & equipment		863,244	-
Revaluation of right of use assets		(511,297)	-
Deferred tax effect		(105,584)	-
<b>Total comprehensive loss for the year attributable to the owners of the Company</b>		<b>(3,283,430)</b>	<b>(1,425,834)</b>
<b>Loss per share</b>	8	<b>(112.30)</b>	<b>(45.57)</b>

The statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 50.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

	Notes	31 Dec 2022 TZS '000	31 Dec 2021 TZS '000
<b>ASSETS</b>			
<b>Non-Current assets</b>			
Property, plant and equipment	9	10,433,881	10,066,129
Right-of-use assets	10	16,445,526	17,524,823
Investment property	11	<u>4,165,598</u>	<u>4,487,318</u>
		<b><u>31,045,005</u></b>	<b><u>32,078,270</u></b>
<b>Current assets</b>			
Inventories	12	982,995	1,345,610
Trade and other receivables	13	1,139,276	1,053,202
Current tax recoverable	7(c)	33,264	48,464
Cash and cash equivalents	21(b)	<u>1,702,264</u>	<u>1,544,183</u>
		<b><u>3,857,799</u></b>	<b><u>3,991,459</u></b>
<b>Total assets</b>		<b><u>34,902,804</u></b>	<b><u>36,069,729</u></b>
<b>EQUITY AND LIABILITIES:</b>			
<b>Equity attributable to equity holders</b>			
Share capital	14	318,000	318,000
Asset revaluation reserve	15	27,173,496	26,927,133
Accumulated losses		<u>(30,356,073)</u>	<u>(26,826,281)</u>
		<b><u>(2,864,577)</u></b>	<b><u>418,852</u></b>
<b>Non-current liabilities</b>			
Provision for staff gratuity	16	324,064	340,293
Borrowings	17	4,261,733	5,384,845
Deferred tax liability	18	<u>4,711,817</u>	<u>4,546,100</u>
		<b><u>9,297,614</u></b>	<b><u>10,271,238</u></b>
<b>Current liabilities</b>			
Trade and other payables	19	10,988,163	10,516,713
Due to related parties	20	11,997,477	11,815,037
Borrowings	17	<u>5,484,127</u>	<u>3,047,889</u>
		<b><u>28,469,767</u></b>	<b><u>25,379,639</u></b>
<b>Total equity and liabilities</b>		<b><u>34,902,804</u></b>	<b><u>36,069,729</u></b>

.....  
Chairman

.....  
Director

09 May 2023  
Date

The statement of financial position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 50.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Share Capital	Asset Revaluation Reserve	Accumulated Losses	Total equity
	TZS '000	TZS '000	TZS '000	TZS '000
<b>Balance as at 1<sup>st</sup> January 2022</b>	<b>318,000</b>	<b>26,927,133</b>	<b>(26,826,281)</b>	<b>418,852</b>
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(3,571,228)	(3,571,228)
<b>Items that are or may be classified to profit &amp; loss</b>				
Re-measurement gain on defined benefit plan	-	-	59,194	59,194
Income Tax Effect	-	-	(17,758)	(17,758)
	-	-	<b>41,436</b>	<b>41,436</b>
<b>Items that will never be reclassified to profit &amp; loss</b>				
Revaluation of property, plant & equipment	-	863,244	-	863,244
Revaluation of Right-of-use assets	-	(511,297)	-	(511,297)
Deferred tax effect	-	(105,584)	-	(105,584)
	-	246,363	-	246,363
<b>Total other comprehensive income</b>	<b>-</b>	<b>246,363</b>	<b>41,436</b>	<b>287,799</b>
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>246,363</b>	<b>(3,529,792)</b>	<b>(3,283,429)</b>
<b>Balance as at 31<sup>st</sup> December 2022</b>	<b>318,000</b>	<b>27,173,496</b>	<b>(30,356,073)</b>	<b>(2,864,577)</b>
<b>Balance as at 1<sup>st</sup> January 2021</b>	<b>318,000</b>	<b>26,927,133</b>	<b>(25,400,447)</b>	<b>1,844,686</b>
<b>Comprehensive loss for the year</b>				
Loss for the year	-	-	(1,449,209)	(1,449,209)
<b>Other comprehensive income</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Re-measurement loss on defined benefit plan	-	-	33,393	33,393
Income Tax Effect	-	-	(10,018)	(10,018)
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>-</b>	<b>23,375</b>	<b>23,375</b>
<b>Total Comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>(1,425,834)</b>	<b>(1,425,834)</b>
<b>Balance as at 31<sup>st</sup> December 2021</b>	<b>318,000</b>	<b>26,927,133</b>	<b>(26,826,281)</b>	<b>418,852</b>

The statement of equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 50.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	31 Dec 2022 TZS '000	31 Dec 2021 TZS '000
<b>Cash generated from/ (used in) operations</b>	21(a)	194,702	(1,259,700)
Income taxes paid	7(c)	<u>(24,536)</u>	<u>(9,299)</u>
<b>Cash generated from /(used in) operating activities</b>		<b><u>170,166</u></b>	<b><u>(1,268,999)</u></b>
<b>Investing Activities</b>			
Purchase of Property, plant & Equipment	(9)	<u>(77,515)</u>	<u>(59,123)</u>
		<b><u>(77,515)</u></b>	<b><u>(59,123)</u></b>
<b>Financing activities:</b>			
Loans received	17(b)	1,662,755	241,660
Loans repaid	17(b)	(1,176,468)	(123,515)
Exchange loss/ (gains) on bank loans	17(b)	(420,857)	(376,602)
Interest paid	17(b)	<u>-</u>	<u>(265,907)</u>
<b>Net cash flows generated from / (used in) financing activities</b>		<b><u>65,430</u></b>	<b><u>(524,364)</u></b>
<b>Net Increase /(decrease) in cash and cash equivalents</b>		<b>158,081</b>	<b>(1,852,486)</b>
Cash and cash equivalents as at 1 January		<u>1,544,183</u>	<u>3,396,669</u>
<b>Cash and equivalents as at 31 December</b>	21(b)	<b><u>1,702,264</u></b>	<b><u>1,544,183</u></b>

The statement of cash flows is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 15 to 50.

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1. INFORMATION OF THE COMPANY AND PRINCIPAL ACCOUNTING POLICIES**

East African Cables (Tanzania) Limited (the "Company") is a company domiciled in Tanzania. The financial statements of the Company are for the year ended 31<sup>st</sup> December 2022.

The principal accounting policies adopted in the preparation of these financial statements are set out below:

##### **1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

###### **(a) Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

###### **(b) Basis of preparation**

###### **(i) Presentation of financial statements:**

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the company will continue in operation for at least one year from the date of the audit report and will be able to realize its assets and discharge its liabilities in the ordinary course of business.

###### **(ii) Statement of compliance:**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

###### **(iii) Going concern**

The Company incurred a loss of TZS 3.571 billion during the year ended 31 December 2022 (2021: TZS 1.45 billion) and, as at that date, the Company's current liabilities exceeded its current assets by TZS 24.61 billion (2021: TZS 21.41 billion). These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern, and that may be unable to realize its assets and discharge its liabilities in the normal course of business. However, the Company's directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that the Company will be able to secure resources necessary to continue in business for the foreseeable future. This assessment is based on the following factors:

- The directors have received a letter of support from the parent company, in which the parent company has undertaken to use its best endeavours to provide the Company with relevant support to make it possible for the Company to meet its financial obligations.
- The directors and management are focussed on implementation of a turn-around strategy to ensure full recovery of the business. Significant milestones have been achieved providing a runway for growth. The key actions of the turn-around strategy and an update of achievements made to date are summarised below.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Summary of significant accounting policies (Continued)**

**(iii) Going concern (continued)**

	Turn around initiative	Actions	Update
1	Market development	<p>(i) Grow revenues in all product categories.</p> <p>(ii) Build customer confidence and rebuild order book.</p>	<p>The implementation of 5-year strategic plan by management continue to bear fruit, current year turnover increased by 61%. The Company in discussion with Tanesco agreed to start partial delivery on the pending order of Tzs 6bn. Renewal of LPOs to enable delivery in the current year in progress.</p> <p>Management is pursuing to bring on board mining customers already discussions with 2 big customers in this sectors are at an advanced stage expected to finalize in 2<sup>nd</sup> Quarter of 2023</p>
2	Strengthen the Balance sheet	<p>(i) Formal agreement for related party borrowings.</p> <p>(ii) Sale of assets not-core to operations of the company. Expected proceeds – TZS 4 billion. The funds to be utilized for working capital and to reduce bank borrowings.</p>	<p>Conversion of EACPLC related party balance amounting to Tzs 11.7 bn has been approved, pending ratification at the AGM to be converted to Irredeemable preference shares. Thus will significantly improve our net current liability position thus strengthening the financial position of the company</p> <p>Target completion date – December 2024. This will go towards reducing bank loans and boosting working capital</p>
3	Cash sales or near cash sales strategy	Management adopted a no credit sales policy in the year 2021, customers make advance payments on order and fully settle before taking delivery of the goods. This has helped the company generate internal funds to finance working capital	This strategy has helped the company sustained operations in the year under audit; 95% of sales in the year were financed by customer advances or bank guarantees.
4	Working capital funding	TransCentury Plc, the ultimate parent company, is in the process of equity raise to fund operating units. The funding will be in form of non-funded facility for issuance of letters of credit to suppliers of raw materials.	Expected completion in quarter beginning of Q2 of 2023.
6	Bank facility	In October 2022, the company renewed working capital financing facility TZS 1.4 billion with Mwanga Bank against a cash cover of the same amount. The bank has also accepted to Mortgage Yombo Property to a value of TZS 930m which will go towards enhancing working capital.	This facility is used to procure raw materials.

The above successes give assurance that the strategy will yield the expected outcome and return the business back to full profitability. The directors are confident that the going concern assumption is appropriate in the preparation of these financial statements. These financial statements are therefore prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the Company will continue receiving financial support from the shareholder and will have adequate resources to meet obligations as and when they fall due, and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

**EAST AFRICAN CABLES (TANZANIA) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Summary of significant accounting policies (Continued)**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are prepared in thousands of Tanzanian Shillings ("TZS'000").

**(ii) Use of estimates and judgement**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities are not readily apparent from other sources. Actual results may differ from these estimates.

**(iii) New standards and interpretations that were effective during the year**

**IFRS 1 amendment: Subsidiary as a First-time Adopter (Issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)**

The amendment, applicable to annual periods beginning on or after 1st January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.

**Amendment to IFRS 9 titled Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)**

The amendment, applicable to annual periods beginning on or after 1st January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

**Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)**

The amendment, applicable to annual periods beginning on or after 1st January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS Standards.

**Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)**

The amendments, applicable to annual periods beginning on or after 1st January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Summary of significant accounting policies (Continued)**

**Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)**

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1st January 2022.

**(iv) Standards issued but not yet effective**

The other new and amended standards issued but not yet effective, and not mentioned above, are not expected to have any impact on the Company's financial statements

**IFRS 17 Insurance Contracts (issued in May 2017 and amended in June 2020)**

The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.

**Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)**

The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

**Amendments to IAS 8 titled Definition of Accounting Estimates (issued in February 2021)**

The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.

**Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)**

The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.

**Amendments to IFRS 16 titled Covid-19-Related Rent Concessions Beyond 30th June 2021 (issued in March 2021)**

The previous amendment to IFRS 16 permitted the practical expedient to be applied only to reductions in lease payments that did not extend beyond 30th June 2021. This amendment, applicable to annual periods beginning on or after 1st April 2021 allows the practical expedient to be applied to reductions in lease payments that do not extend beyond 30th June 2022.

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

#### **1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(b) Summary of significant accounting policies (Continued)**

###### **Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)**

The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

###### **Amendments to IFRS 10 and IAS 28 titled Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)**

The amendments, applicable from a date yet to be determined, address a current conflict between the two standards and clarify that a gain or loss should be recognised fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

##### **c) Revenue recognition**

Revenue represents income arising in the course of Company's ordinary activities, which leads to an increase of economic benefits during the accounting period. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer. The Company applied the portfolio approach in assessing the contracts. Revenue is stated net of value-added tax (VAT) and excise duty.

Revenue is primarily derived from sale of Electrical cables and Aluminium conductors. Payments from customers for which no goods have been transferred are carried in the statement of financial position as a contract liability until when the service has been provided to the customer.

The five-step model stipulated in IFRS 15 Revenue from contracts with customers is applied when accounting for revenue from contracts with customers. The Company accounts for a revenue contract with a customer only when all the following criteria are met:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- The Company can identify each party's rights regarding the goods or services to be transferred;
- The Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance (i.e., the risk, timing or amount of future cash flows is expected to change as a result of the contract); and
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Revenue from services provided to customers is recognized at the point in time when service has been delivered to the customer.

Rental income from investment in property is recognised when a payment is received.

The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Revenue recognition (Continued)**

In determining the transaction price for the sale of goods or provision of service, the Company considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any. Currently, the Company does not have contracts with customers that have significant financing components or consideration payable to customers.

**Contract balances**

***Contract assets***

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

***Trade receivables***

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

***Contract liabilities***

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

***Cost to obtain a contract***

If the Company pays sales commission to obtain contracts with customers, the Company defers and amortises these costs over the period of the contract during which the services are transferred to the customers. The Company currently has no such costs.

**d) Property, Plant and Equipment**

Plant and equipment are stated at fair value based on valuation by Independent valuers. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of an asset. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets carrying amounts or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Company and costs of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Buildings and plant and machinery are carried at a re-valued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **(d) Property, Plant and Equipment (Continued)**

Revaluations are made periodically to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any surplus arising on the revaluation is recognised directly in a revaluation reserve within equity except to the extent that the surplus reverses a previous revaluation deficit on the same asset in statement of profit or loss and other comprehensive income, in which case the credit is recognised in the statement of profit or loss and other comprehensive income.

Any deficit on revaluation is recognised in the statement of profit or loss and other comprehensive income except to the extent that it reverses a previous revaluation surplus on the same asset, in which case it is taken directly to the revaluation reserve.

##### **(i) Depreciation**

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to write off the cost of each asset value over its estimated useful life. Depreciation is charged fully in the year of purchase and no depreciation is charged in the year of disposal. The annual rates used for this purpose are as follows:

<b>Asset category</b>	<b>Rate p.a.</b>
Leasehold land	Straight line over the lease period
Leasehold buildings	4.0%
Plant and machinery	5.0%
Electricity generating machine	12.5%
Office and residential furniture and equipment	12.5%
Motor vehicles, tools, equipment and dies	25.0%

##### **(ii) Gain and Loss on disposal of property, plant and equipment**

Gain and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to profit and loss account.

##### **(iii) Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property and re-measured to fair value. Any gain arising on re-measurement is recognised in the statement of profit or loss and other comprehensive income.

##### **(e) Investment properties**

Investment properties are stated at fair value. External valuations are obtained on such a basis as to ensure that substantially all properties are valued once every three years. In the event of a material change in market conditions between the valuation date and statement of financial position date an internal valuation is performed, and adjustments made to reflect any material changes in value. Surpluses and deficits arising from changes in fair value are reflected in the profit or loss for the year.

##### **(f) Inventories and work in process valuation**

Inventories are valued using the weighted average cost method. In the case of work in progress and manufactured products; they are valued at production costs (cost of materials). For other inventories, cost is determined on First-In-First-Out (FIFO) basis. Full provision is made for slow moving and obsolete inventories.

##### **(g) Accounting for transactions and balances in foreign currency**

Foreign currency transactions are translated into Tanzanian shillings at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the year-end expressed in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling at the end of the financial year. The resultant gains/losses on exchange rate translations are dealt with in the profit and loss account

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (h) Provision for impairment of receivables

Receivables are recognized initially at fair value and subsequently measured at value less provision for bad and doubtful debts. Specific provision is made in the financial statements against receivables considered to be doubtful of recovery.

##### (i) Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call and fixed deposits.

##### (j) Impairment of financial and non-financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Company considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (k) Dividends

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

#### 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (l) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### (m) Taxation

The tax expense represents the sum of tax currently payable and deferred tax.

###### *Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity.

###### *Deferred tax*

Deferred tax is calculated under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, except: Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(m) Taxation ( Continued )**

*Value Added Tax*

Revenues, expenses and assets are recognized net of the amount of Value Added Tax except: Where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the Value Added Tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and Receivables and payables that are stated with the amount of Value Added Tax included.

**(n) Accounting for leases**

At the commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

*Lease liabilities*

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

**(o) Finance expenses**

Finance expenses comprise interest expense on borrowing. All borrowing costs are recognized in Statement of profit or loss using the effective interest method.

**(p) Financial instruments**

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument.

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022

#### 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (p) Financial instruments (continued)

###### *Initial recognition and measurement (continued)*

With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

For a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

###### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Company's financial assets comprise financial assets at amortised cost (loans and receivables).

###### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired, Or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(p) Financial instruments (continued)**

*Derecognition (continued)*

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

**Financial liabilities**

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, financial liabilities at amortised cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities not at fair value through profit or loss, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables.

*Subsequent measurement*

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

**Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**(q) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits, bank overdraft (if any) that are repayable on demand and form an integral part of the company's cash management are included as component of cash and cash equivalents for the purpose of the statement of cash flows.

**(r) Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### (s) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. When the Company expects a provision to be reimbursed, for example under insurance contract, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

##### (t) Employees Benefits

###### (i) Retirement Benefits

The Company makes statutory Contributions to the National Social Security Fund (NSSF) and the Parastatal Pension Fund (PPF). The Company's obligations in respect of contributions to such funds are 15% of the employee basic salary in respect of PPF members and 10% of the employee's gross emoluments in respect of NSSF members. Contributions to these pension funds are recognised as an expense in the period the employees render the related services.

###### *Short term benefits*

The cost of all short-term employee benefits such as salaries, employees' entitlements to leave pay, medical aids, long service award, other contributions, etc are recognised during the period in which the employees render the related services. The Company recognises the expected cost of bonuses and long service award only when the Company has a present legal or constructive obligation to make such payments and reliable estimate can be made.

###### (ii) Termination benefits

Accumulative termination benefits are payable according to voluntary agreement entered between the employees (through TUICO) and the Company whenever: -

- An employee's employment is terminated before the normal retirement date.
- An employee accepts voluntary redundancy.
- Normal retirement

The liability/asset recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, as well as adjustments relating to the asset ceiling, are charged or credited to other comprehensive income in the period in which they arise. Such actuarial gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Past service costs are recognised immediately in income, unless changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Net interest cost is calculated by applying the discount rate to the net benefit liability.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**2. REVENUE, OTHER INCOME AND EXPENSES**

	2022 TZS '000	2021 TZS '000
<b>a) Revenue</b>		
Sale of electrical cables and conductors	<u>7,920,230</u>	<u>4,906,920</u>
<b>b) Other income</b>		
Interest on bad debts	-	1,183,226
Rental Income	22,800	-
Miscellaneous income	4,128	2,414
	<u>26,928</u>	<u>1,185,640</u>
<b>c) Expenses by nature</b>		
Raw materials and consumables	6,060,397	3,654,716
Employee benefits and other staff costs (Note 3)	1,251,649	1,175,323
Electricity expenses	160,511	124,871
Repairs and maintenance	112,085	114,147
Professional and consultancy costs	125,812	79,080
Vehicle expenses	57,729	61,334
Other expenses	1,176,455	1,126,704
	<u>8,944,638</u>	<u>6,336,175</u>
<b>Comprising:</b>		
Cost of sales	6,339,449	3,922,516
Factory expenses	773,759	649,125
Administrative expenses	1,422,541	1,228,245
Selling expenses	408,889	536,289
	<u>8,944,638</u>	<u>6,336,175</u>
<b>3. STAFF COSTS</b>		
Direct labour	277,557	286,795
Indirect factory salaries	317,461	193,170
Administration salaries and wages	417,395	496,468
Distribution salaries and wages	142,197	145,829
Pension contributions	97,039	113,155
	<u>1,251,649</u>	<u>1,235,417</u>
<b>4. OTHER OPERATING EXPENSES</b>		
<b>(a) Impairment losses</b>		
Receivables impairment/ (writeback) (Note 13)	151,511	(739,165)
Fair value loss on Investment property	321,720	191,653
Impairment of financial assets	9,428	2,007
	<u>482,659</u>	<u>(545,505)</u>
<b>(b) Depreciation and amortisation</b>		
Depreciation of property, plant and equipment (Note 9)	573,008	641,053
Amortisation of right of use (Note 10)	567,998	932,472
	<u>1,141,006</u>	<u>1,573,525</u>

**EAST AFRICAN CABLES (TANZANIA) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**5. NET FINANCE COSTS**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Bank Charges	16,794	10,203
Interest expense	1,247,696	940,021
Total interest expense	1,264,490	950,224
Exchange (gains)/ losses	(396,518)	(290,179)
	<b>867,972</b>	<b>660,045</b>

**6. LOSS BEFORE INCOME TAX**

The following items have been charged in arriving at loss before tax:

Depreciation expense (Note 4 (b))	573,008	641,053
Amortisation of right-of-use asset (Note 4 (b))	567,999	932,472
Interest on term borrowings (Note 5)	1,247,696	940,021
Directors' emoluments (Note 20 (a))	127,083	127,083
Staff costs (Note 3)	1,251,649	1,175,323
Auditor's remuneration	33,030	53,520

**7. TAXATION**

**(a) Income tax (credit) / expense**

Current income tax charge	39,736	24,535
<i>Deferred tax charge / credit (Note 18):</i>		
Movement through profit or loss	32,357	(464,006)
Prior year over provision	10,018	( 43,000)
Deferred tax charge	<b>42,375</b>	<b>(507,006)</b>
Income tax expense/ (credit) recognized in profit or loss	<b>82,111</b>	<b>(482,471)</b>
Income tax expense/ (credit) recognized in other comprehensive income – Deferred tax (note18)	123,342	10,018
<b>Total income tax expense/ (credit)</b>	<b>205,453</b>	<b>(472,453)</b>

**(b) Tax reconciliation**

The tax (credit) / expense on the results differ the theoretical amount using the basic tax rate as follows: -

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Loss before income tax	(3,489,117)	(1,931,680)
Tax calculated at the statutory income tax rate of 30%	(1,046,735)	(576,499)
Alternative minimum tax applicable at 0.5%	39,736	24,535
Prior year under provision – Deferred tax	(10,018)	(43,000)
Impairment of deferred tax losses	1,430,616	110,406
Tax effect of other deductible costs	(331,487)	2,087
	<b>82,111</b>	<b>(482,471)</b>

**EAST AFRICAN CABLES (TANZANIA) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**7. TAXATION (Continued)**

**(c) Current tax balances**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Balance as at 1 January	(48,464)	(63,700)
Current tax charge	39,736	24,535
Paid during the year	(24,536)	(9,299)
	<u>(33,264)</u>	<u>(48,464)</u>
<b>Balance as at 31 December</b>	<b><u>(33,264)</u></b>	<b><u>(48,464)</u></b>
<b>Comprising:</b>		
Current tax recoverable	(73,000)	(63,700)
Current tax payable	39,736	15,236
	<u>(33,264)</u>	<u>(48,464)</u>

Income tax asset represents withholding tax credits available for offset against future corporation tax liabilities. Company's tax affairs for the year of income are subject to agreement with tax authorities.

**8. EARNINGS PER SHARE**

The calculation of earnings per share is based on:

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Loss attributable to ordinary shareholders (TZS'000)	<u>(3,571,229)</u>	<u>(1,449,209)</u>
Weighted average number of ordinary shares outstanding during the year	<u>31,800</u>	<u>31,800</u>
<b>Basic and diluted loss per share (TZS)</b>	<b><u>(112.30)</u></b>	<b><u>(45.57)</u></b>

**9. PROPERTY, PLANT AND EQUIPMENT**

The Company's land and buildings comprise of the factory and head office building property on plot No.31 Nyerere Road, and the residential building properties on plot No.1316 Block A., Yombo Vituka, all in Dar es Salaam. Investment property comprise of residential building properties on plot number 581 Maliki Road Upanga in Dar es Salaam. Land and buildings are shown at fair value based on valuations by external independent valuers, Accurate Valuers (registered valuers and estate agents of Nairobi Kenya) carried out in March 2022 less subsequent depreciation for buildings.

EAST AFRICAN CABLES (TANZANIA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2022	Leasehold buildings Tzs'000	Plant and machinery Tzs'000	Motor vehicles Tzs'000	Furniture, fittings & equipment Tzs'000	Total Tzs'000
<b>Cost or valuation</b>					
At 1 January 2022	6,835,362	6,816,462	449,744	585,331	14,686,899
Additions	-	72,215	-	5,300	77,515
Cost adjustment on revaluation	(1,906,363)	(1,040,733)	(31,548)	(3,234)	(2,981,878)
<b>At 31 December 2022</b>	<b>4,928,999</b>	<b>5,847,944</b>	<b>418,196</b>	<b>587,397</b>	<b>11,782,536</b>
<b>Depreciation:</b>					
At 1 January 2022	1,679,153	1,954,616	449,744	537,257	4,620,770
Charge for the year	230,834	313,077	14,181	14,916	573,008
Depreciation adjustment on revaluation	(1,794,977)	(1,916,354)	(128,790)	(5,002)	(3,845,123)
<b>At 31 December 2022</b>	<b>115,010</b>	<b>351,339</b>	<b>335,135</b>	<b>547,171</b>	<b>1,348,655</b>
<b>Net carrying value:</b>					
<b>At 31 December 2022</b>	<b>4,813,989</b>	<b>5,496,605</b>	<b>83,061</b>	<b>40,226</b>	<b>10,433,881</b>
<b>2021</b>					
<b>Cost or valuation</b>					
At 1 January 2021	6,835,362	6,779,588	449,744	563,082	14,627,776
Additions	-	36,874	-	22,249	59,123
<b>At 31 December 2021</b>	<b>6,835,362</b>	<b>6,816,462</b>	<b>449,744</b>	<b>585,331</b>	<b>14,686,899</b>
<b>Depreciation:</b>					
At 1 January 2021	1,405,739	1,615,446	449,744	508,788	3,979,717
Charge for the year	273,414	339,170	-	28,469	641,053
<b>At 31 December 2021</b>	<b>1,679,153</b>	<b>1,954,616</b>	<b>449,744</b>	<b>537,257</b>	<b>4,620,770</b>
<b>Net carrying value:</b>					
<b>At 31 December 2021</b>	<b>5,156,209</b>	<b>4,861,846</b>	<b>-</b>	<b>48,074</b>	<b>10,066,129</b>

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**10. RIGHT OF USE ASSETS**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Balance as at 1 January	17,524,823	18,457,295
Revaluation adjustment	(511,299)	-
Depreciation charge for the year (Note 4 (b))	(567,998)	(932,472)
<b>Balance as at 31 December</b>	<b>16,445,526</b>	<b>17,524,823</b>

**11. INVESTMENT PROPERTY**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Balance as at 1 January	4,487,318	4,678,971
Impairment of investment property	(321,720)	(191,653)
<b>Balance as at 31 December</b>	<b>4,165,598</b>	<b>4,487,318</b>

Investment property comprises of residential property. The investment properties are stated at fair value, which has been determined based on valuation by Accurate Valuers Limited, an accredited independent Valuer as at 8<sup>th</sup> April 2022. Accurate Valuers Limited is an Industry specialist in valuing this type of investment properties. The fair value of the properties has been determined using valuation model in accordance with that recommended by the International Valuation Standard Committee taking into consideration the Country's prevailing market conditions.

**12. INVENTORIES**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Finished goods	201,685	186,036
Raw materials	800,719	1,217,778
Work in progress	64,825	145,277
Packaging materials and consumables	14,606	13,374
Strategic spares and lubricants	209,579	242,601
Stationery and printing	20,843	35,267
Impairments	(329,262)	(494,723)
	<b>982,995</b>	<b>1,345,610</b>

**EAST AFRICAN CABLES (TANZANIA) LIMITED****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022****13. TRADE AND OTHER RECEIVABLES**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Trade receivables	5,453,469	5,206,663
Less: Provision for expected credit loss (Note 23(i))	<u>(4,468,238)</u>	<u>(4,316,727)</u>
Net trade receivables	985,231	889,936
Other receivables and prepayments	154,045	163,266
	<u><b>1,139,276</b></u>	<u><b>1,053,202</b></u>

The company uses a provision matrix to measure expected credit losses. The movement in provision for expected credit losses was as follows:

At 1 January	4,316,727	5,055,892
Impairment/ (writeback) in the year (Note 4(a))	<u>151,511</u>	<u>(739,165)</u>
<b>At 31 December</b>	<u><b>4,468,238</b></u>	<u><b>4,316,727</b></u>

**14. SHARE CAPITAL****Authorized, issued and fully paid up capital**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
31,800,000 Ordinary Shares of TZS 10/- each	<u>318,000</u>	<u>318,000</u>

**15. ASSET REVALUATION RESERVE**

The revaluation reserve relates to the net gain on revaluation of property, plant and equipment, leasehold land, right of use assets as well as revaluation of leasehold land and buildings now reclassified as investment in property, prior to its reclassification. The revaluation reserve is stated net of the associated deferred tax and is not available for distribution.

**16. RETIREMENT BENEFITS OBLIGATIONS****Defined benefit obligation**

The Company operates an unfunded defined benefit plan for qualifying employees. Under the plan, the benefit provided to employees would be lumpsum of one month's salary for each year worked, severance pay of 7 days' basic salary subject to a maximum of 10 years.

The Company provides for retirement benefit cost based on assessments made by independent actuaries. The most recent actuarial valuation was carried out at December 31, 2022 by Actuarial Services East Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

**EAST AFRICAN CABLES (TANZANIA) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**16. RETIREMENT BENEFITS OBLIGATIONS (Continued)**

The movement in the Company retirement benefit obligation was as follows: -

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Opening benefit obligation	340,293	325,373
Current service cost net of employees' contributions - charged to profit or loss cost of sales	17,590	17,437
Interest cost charged to profit or loss cost of sales	37,720	34,870
Actuarial (gain)/ loss charged to other comprehensive income	(59,194)	(33,393)
Post service cost	( 12,345)	( 3,994)
Closing benefit obligation	<u><b>324,064</b></u>	<u><b>340,293</b></u>

The principal actuarial assumptions used in determining service gratuity obligations for the company are shown below

**Actuarial assumptions**

Discount rate (% p.a.)	10.50%	11.00%
Future salary increases (% p.a.)	10.00%	10.00%
Mortality Assumptions – Males	KE 2001- 2003	KE 2001- 2003
Mortality Assumptions – Females	KE 2001- 2003	KE 2001- 2003
Weighted average duration of defined benefit obligation	9	9.6

**Sensitivity of the results**

The results of actuarial valuation will be more sensitive to changes in financial assumption than changes in the demographic assumptions. In preparing the sensitivity analysis of the results to the discount rate used, the actuaries have relied on the calculations of the duration of the liability.

A quantitative sensitivity analysis for significant assumptions as at 31 December 2022 is as shown below:

**Sensitivity of the results (Continued)**

	<b>Discount rate</b>	
	<b>1%</b>	<b>-1%</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Net liability at start of the period	340,293	340,293
Total Net expense recognised in the income statement	55,311	55,311
Net expense recognised in the other comprehensive income	(86,890)	(27,422)
Employer contributions	(12,345)	(12,345)
<b>Net liability at end of the period</b>	<u><b>296,369</b></u>	<u><b>355,837</b></u>

	<b>Salary rate</b>	
	<b>1%</b>	<b>-1%</b>
	<b>TZS '000</b>	<b>TZS '000</b>
Net liability at start of the period	340,293	340,293
Total Net expense recognised in the income statement	55,311	55,311
Net expense recognised in the other comprehensive income	(27,573)	(87,248)
Employer contributions	(12,345)	(12,345)
<b>Net liability at end of the period</b>	<u><b>355,686</b></u>	<u><b>296,011</b></u>

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**

**17. BORROWINGS**

**(a) Outstanding balances, terms and repayment schedule**

			<b>2022</b>	<b>2021</b>
			<b>TZS '000</b>	<b>TZS '000</b>
	Currency	Nominal Interest		
Equity Bank Kenya Limited	KES	13% p.a.	8,963,860	8,237,382
Mwanga Hakika Bank	TZS	18% p.a.	782,000	195,352
			<b>9,745,860</b>	<b>8,432,734</b>
<b>Comprising:</b>				
Non-current liability – Equity Bank Kenya	KES	13% p.a.	4,261,733	5,384,845
Current Liability – Equity Bank Kenya	KES	13% p.a.	4,702,127	2,852,537
Current Liability – Mwanga Hakika Bank	TZs	18% p.a.	782,000	195,352
			<b>5,484,127</b>	<b>3,047,889</b>
			<b>9,745,860</b>	<b>8,432,734</b>

**(b) Loan movement schedule**

The movement of the bank loan during the year was as follows:

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
As at 01 January	8,432,734	8,006,875
Loan received during the year	1,662,755	241,660
Accrued interest	1,247,696	684,318
Repayment in the year	(1,176,468)	(123,515)
Foreign currency translations	(420,857)	(376,602)
As at 31 December	<b>9,745,860</b>	<b>8,432,734</b>

**(c) Securities and covenants**

The facility with Equity Bank Kenya Limited is secured by certain land and buildings for KES 1,331,691,557 and debenture over all assets of company for KES 1,700,000,000. The facility comprises of a long-term loan of KES 343 million repayable over a period of 120 months at an interest rate of 13% per annum.

The company also signed bank facility with Mwanga Hakika Microfinance Bank in October 2021, renewed in October 2022; to be used for Letter of Credit (LCs), bank guarantees and post import loans for clearing of raw materials. This facility is secured by a cash cover of TZS 1.4 billion.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**18. DEFERRED TAX LIABILITY**

Movements in deferred tax liabilities during the year were as follows: -

	Balance as 1 January	Prior year overprovision	Recognised through profit or loss	Recognised through OCI	Balance at 31 December
2022	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Revaluation reserve	7,983,832	-	(299,112)	105,585	7,790,305
Revaluation on investment property	896,850	10,018	(326,339)	-	580,529
Provisions	(2,724,802)	-	(89,684)	17,758	(2,796,727)
Unrealised gains	(1,609,780)	-	747,490	-	(862,290)
	<b>4,546,100</b>	<b>10,018</b>	<b>32,357</b>	<b>123,343</b>	<b>4,711,817</b>

	Balance as 1 January	Prior year overprovision	Recognised through profit or loss	Recognised through OCI	Balance at 31 December
2021	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Revaluation reserve	8,407,637	-	(423,805)	-	7,983,832
Revaluation on investment property	896,850	-	-	-	896,850
Provisions	(2,957,656)	(43,000)	265,836	10,018	(2,724,802)
Unrealised gains	(1,303,743)	-	(306,037)	-	(1,609,780)
Loss for the year	-	-	-	-	-
	<b>5,043,088</b>	<b>(43,000)</b>	<b>(464,006)</b>	<b>10,018</b>	<b>4,546,100</b>

**19. TRADE AND OTHER PAYABLES**

	2022 TZS '000	2021 TZS '000
Trade payables	2,299,751	2,110,451
Tanesco	6,040,798	6,040,798
Other payables and accrued expenses	2,313,644	2,031,494
Dividend due to Minority Shareholders	333,970	333,970
	<b>10,988,163</b>	<b>10,516,713</b>

Dividend payable to majority shareholder is accounted for in Related Party Balances (Note 20).

**EAST AFRICAN CABLES (TANZANIA) LIMITED  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**

**20. RELATED PARTY TRANSACTIONS**

The following transactions were carried out with related parties:

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>(a) Directors and Executive Officers remuneration</b>		
Directors' emoluments - fees	127,083	127,083
Senior management remuneration	744,062	604,869
	<u>871,145</u>	<u>731,952</u>
<b>(b) Management fees</b>		
	<u>744,062</u>	<u>604,869</u>

TransCentury PLC, the ultimate parent Company headquartered in Nairobi; Kenya is the managing agent of the group. Consequently, a management fee equivalent to three (3%) of turnover has been provided for in the books

**(c) Amounts due from directors**

No amounts were due from directors at close of the year (2021 – Nil)

The terms and conditions of transactions with key management personnel were no more favourable than those available, or which might reasonably be expected to be available on similar transactions to non-key management personnel related entities on an arm's length basis.

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>(d) Amounts due to directors</b>		
As at 31 December	<u>809,076</u>	<u>681,993</u>
<b>(e) Owed to related parties</b>		
East African Cables PLC	11,760,137	11,522,529
Tanesco	<u>6,040,798</u>	<u>6,040,798</u>
<b>Owed to other related parties</b>		
Tanelec Limited	236,645	291,657
AEA Limited	695	851
	<u>237,340</u>	<u>292,508</u>
<b>Total owed to related parties</b>	<u>11,997,477</u>	<u>11,815,037</u>

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**21. CASH FLOWS FROM OPERATING ACTIVITIES**

**(a) Reconciliation of loss before tax to cash flow from operating activities**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>Loss before tax</b>	(3,489,117)	(1,931,680)
<b>Adjustments for items not involving cash movement:</b>		
Depreciation (Note 4(b))	573,007	641,053
Depreciation of right-of-use assets (Note 4 (b))	567,999	932,472
Actuarial gain on retirement benefit (Note 16)	59,194	33,393
Fair Value Gain/Loss (Note 4(a))	321,720	191,653
Interest expense (Note 5)	1,247,696	950,224
(Decrease)/Increase in provision for staff gratuity	(16,229)	14,920
<b>Operating (loss)/gain before working capital changes</b>	<b>(735,730)</b>	<b>832,035</b>
<b>Change in working capital items</b>		
(Increase)/decrease in inventories	362,616	(581,826)
(Increase)/decrease in trade and other receivables	(86,075)	374,494
Increase/(decrease) increase in trade and other payables	471,451	(1,813,352)
Increase/(decrease) increase in related party balances	182,440	(71,051)
<b>Cash generated from / (used in) operations</b>	<b>194,702</b>	<b>(1,259,700)</b>

**(b) Cash and cash equivalents**

	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '0000</b>
Cash and bank balances	<b>1,702,264</b>	<b>1,544,183</b>
Restricted	1,400,000	1,400,000
Not restricted	302,264	144,183

Before year end, TZS 1,400,000,000 was held by Mwanga Community Bank as cash cover for the bank facility extended to the Company

**22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company has become a party to the contractual provisions of the instruments. The Company's accounting policies in respect of the main financial instruments are included in note 1 (r) to the financial statements.

Except where stated elsewhere, the carrying amounts of the financial instruments approximate their fair values because they carry market rates of interest

## **EAST AFRICAN CABLES (TANZANIA) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

#### **22. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

Financial assets and financial liabilities are recognized on the company's statement of financial position when the company has become a party to the contractual provisions of the instruments. The Company's accounting policies in respect of the main financial instruments are included in note 1 (r) to the financial statements.

Except where stated elsewhere, the carrying amounts of the financial instruments approximate their fair values because they carry market rates of interest.

#### **23. FINANCIAL RISK MANAGEMENT**

This section provides details of the Company's exposure to risk and describes the methods used by management to control risk. The most important types of financial risks to which the Company is exposed are credit risk, liquidity risk and market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's directors have overall responsibility of the establishment and oversight of the company's risk management framework. The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risk adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee, "at group level" is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the company. The Audit Committee is assisted in these functions by the internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

***Credit risk***

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's trade and other receivables.

As at the year end, the Company had the following financial instruments, measured at the amortised costs of which fair value is not significantly different from the amortised cost at which they are stated. This is because majority are short term and do not carry interest rates.

	<b>Carrying amount</b>	
	<b>2022</b>	<b>2021</b>
	<b>TZS '000</b>	<b>TZS '000</b>
<b>Financial assets</b>		
<i>At Amortised cost</i>		
Trade receivables	985,231	889,936
Other receivables	85,557	163,264
Bank balances	1,702,264	1,544,183
	<b>2,777,052</b>	<b>2,597,383</b>
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
Trade payables	2,299,752	2,110,451
Tanesco	6,040,798	6,040,798
Other payables	2,313,644	2,031,494
Dividend payable	333,970	333,970
Due to parent company	11,760,137	11,522,529
Due to related parties	237,341	292,508
	<b>22,985,642</b>	<b>22,331,750</b>

***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the company's customer base, including the default risk of the industry and country in which customers operate, has less of an influence on credit risk.

The Company has established a credit policy under which each new customer is analysed individually for creditworthiness before the company's standard payment and delivery terms and conditions are offered. Customers that fail to meet the company's benchmark creditworthiness may transact only on a prepayment basis.

The Company has a stringent debt provisioning policy that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main component of this allowance specific loss component that relates to individually significant exposures.

The Company also manages the level of credit risk by focusing on customer satisfaction as a key performance indicator. It also maintains a short credit period. Due to the nature of the company's activities, credit risk concentrations are high due to reliance on some customers and as such close monitoring of credit relationships is carried out.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 23. FINANCIAL RISK MANAGEMENT (Continued)

*Expected credit loss (ECL) assessment as at 31 December 2022*

The Company use a provision matrix to measure the ECL based on a factor of the following: -

- Probability of default
- Exposure at default, and
- The loss given default.

The probability of default is based on 12-month flow rates with an adjustment for forward looking information.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2022.

##### (i) Trade receivables

	Loss rate	2022		
		Amount	Loss Allowance	Net amount
Aging bucket	%	Tzs'000	Tzs'000	Tzs'000
Due from government institutions	35%	367,706	(129,019)	238,687
Not past due	7%	724,899	-	724,899
Past due 31-60 Days	0%	-	-	-
Past due 61-90 Days	30%	28,045	(8,362)	19,683
Past Due 91-120 Days	0%	-	-	-
Past Due 121-150 Days	0%	-	-	-
Past Due 151-180 Days	95%	38,460	(36,498)	1,962
Past due 181-365 Days	100%	61,576	(61,576)	-
More than a year	100%	4,232,783	(4,232,783)	-
<b>Total</b>	<b>83%</b>	<b>5,453,469</b>	<b>(4,468,238)</b>	<b>985,231</b>

	Loss rate	2021		
		Amount	Loss Allowance	Net amount
Aging bucket	%	Tzs'000	Tzs'000	Tzs'000
Due from government institutions	17%	367,706	(61,500)	306,206
Not past due	0%	198,531	-	198,531
Past due 31-60 Days	0%	9,534	-	9,534
Past due 61-90 Days	0%	375,665	-	375,665
Past due 91-365 Days	100%	604	(604)	-
More than a year	100%	4,254,623	(4,254,623)	-
<b>Total</b>	<b>83%</b>	<b>5,206,663</b>	<b>(4,316,727)</b>	<b>889,936</b>

Loss rates are based on actual credit loss experience over the past 24 months, current conditions plus the Company's view of economic conditions such as inflation, commercial bank interest rates and growth in the economy's gross domestic product.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2022**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

**(ii) Cash and cash equivalents**

The Company held cash and bank balances of TZS 1,702,264 (2021 – TZS 1,544,182,733). The cash and bank balances are held with banks and financial institution counterparties, which are rated B, based on GCR, S&P and Moody's ratings.

Impairment on cash and cash equivalents has been measured on a 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The impairment within the year was TZS 9,428,187.

**Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

All liquidity policies and procedures are subject to review and approval by the company's board of directors. Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" including interest and excluding impact of netting is as follows:

	2022	Carrying amount	Due within 3 months	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Group trade payables		18,038,276	-	-	-	18,038,276	18,038,276
Non-group trade payables		2,299,752	2,299,752	-	-	-	2,299,752
Bank loans and borrowings		9,745,860	4,784,872	699,255	4,261,733	-	9,745,860
Other payables		2,313,644	2,313,644	-	-	-	2,313,644
Gratuity		324,064	-	-	324,064	-	324,064
		<b>32,721,596</b>	<b>9,398,268</b>	<b>699,255</b>	<b>4,585,797</b>	<b>18,036,276</b>	<b>32,721,596</b>
	2021	Carrying amount	Due within 3 months	Due within 1 year	Due between 1 & 5 years	Due after 5 years	Total
		TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
Group trade payables		17,855,835	-	-	-	17,855,835	17,855,835
Non-group trade payables		2,110,451	2,110,451	-	-	-	2,110,451
Bank loans and borrowings		8,432,734	2,392,715	655,174	4,367,825	1,017,020	8,432,734
Other payables		2,365,464	2,365,464	-	-	-	2,365,464
Gratuity		340,293	-	-	340,293	-	340,293
		<b>31,104,777</b>	<b>6,868,630</b>	<b>655,174</b>	<b>4,708,118</b>	<b>18,872,855</b>	<b>31,104,777</b>

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31st DECEMBER 2022

#### 23. FINANCIAL RISK MANAGEMENT (Continued)

##### *Liquidity risk*

Unsecured current borrowings are due to related company, East African Cables PLC, significant portion of trade payables are due to other related companies arising from normal trading transactions with these parties (see note 21). There is lower risk of loss of reputation arising from liquidity risk as a result of these dues.

##### *Market risk*

Market risk is the risk that may arise due to changes in market prices, foreign exchange rates, interest rates, LME prices, changes, consumer taste and preferences, Government legislation etc which may affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to foresee any of these changes, and to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### *Interest rate risk*

The company's operations are subject to the risk of interest rate fluctuations to the extent that interest earning assets (including investments) and interest-bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rates levels consistent with the group's and company's business strategies. The company does not have any significant interest rate risk exposures.

The table below summarises the exposure to interest rate risks. Included in the table below are the company's assets and liabilities at carrying amounts, categorized by the earlier of contractual representing or maturity dates;

<b>At 31 December 2022</b>	<b>Average effective interest rate</b>	<b>Due within 3 months TZS '000</b>	<b>Due between 3 and 12 months TZS '000</b>	<b>Due between 1 and 5 years TZS '000</b>	<b>Due after 5 years TZS '000</b>	<b>Total TZS'000</b>
Bank loans and borrowings	13%	4,002,872	699,255	4,261,733	-	8,963,860
Bank-Short term loans	18%	782,000				782,000
		<b>4,871,872</b>	<b>699,255</b>	<b>4,261,733</b>		<b>9,745,860</b>
<b>At 31 December 2021</b>						
Bank loans and borrowings	13%	2,392,715	655,174	4,367,825	1,017,020	8,432,734

##### *Currency risk*

The company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the company, the Tanzania Shillings. The currencies in which these transactions primarily are denominated are US Dollars (US\$), and Kenyan Shillings.

All of the company's customers except a few are invoiced in TZS which is the company's functional currency. The Company's strategy towards managing its foreign currency exposure is through transacting mainly using its functional currency.

**EAST AFRICAN CABLES (TANZANIA) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31st DECEMBER 2022**

**23. FINANCIAL RISK MANAGEMENT (Continued)**

***Currency risk (continued)***

Exposure to currency risk for foreign denominated amounts in the following classes of financial instruments; disclosure around market risk also relates to sensitivity analysis of the type of market risk, currency risk, showing how the income profit or loss and equity would have been affected by reasonably possible changes in the relevant risk variable at the year-end date.

	2022 TZS '000	2022 KES	2022 USD
<b>Assets</b>			
Cash and cash equivalent	2,454	-	1.05
	<b>2,454</b>	<b>-</b>	<b>1.05</b>
<b>Liabilities</b>			
Trade and other payables		-	-
Bank Loans and borrowings	(1,183,995)	(473,822)	(507)
Related parties	(8,963,860)	(509,658)	-
	<b>(9,641,796)</b>	<b>(983,480)</b>	<b>(507)</b>
<b>Net exposure:</b>	<b>(19,787,197)</b>	<b>(983,480)</b>	<b>(506)</b>
	2021 TZS '000	2021 KES	2021 USD
<b>Assets</b>			
Cash and cash equivalent	950,587	-	414
	<b>950,587</b>	<b>-</b>	<b>414</b>
<b>Liabilities</b>			
Trade and other payables	(1,384,869)	-	(603)
Bank Loans and borrowings	(8,237,382)	(416,241)	
Related parties	(9,641,796)	(487,207)	
	<b>(19,264,047)</b>	<b>(903,448)</b>	<b>(603)</b>
<b>Net exposure:</b>	<b>(18,313,460)</b>	<b>(903,448)</b>	<b>(189)</b>

The following significant exchange rates were applied in the year.

	Closing rate		Average rate	
	2022 TZS	2021 TZS	2022 TZS	2021 TZS
USD	2,334	2,305	2,326	2,316
KES	18.92	20.37	19.79	21.12

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 23. FINANCIAL RISK MANAGEMENT (Continued)

##### Sensitivity analysis

A 10 percent strengthening/weakening of the Tanzania shilling against the above currencies would have increased profit or loss by amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2022.

	2022	2021
	TZS '000	TZS '000
At 31 December	1,978,720	1,831,346

##### Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the company's operations and are faced by all business entities. The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the company's Board of Directors. This responsibility is supported

by the development of overall company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- strict adherence to the company's budget.
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards

##### Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and the benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividend pay out to its shareholders. The company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital.

## EAST AFRICAN CABLES (TANZANIA) LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31<sup>st</sup> DECEMBER 2022

#### 23. FINANCIAL RISK MANAGEMENT (Continued)

##### *Capital risk management (continued)*

Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated and separate statement of financial position plus net debt. The gearing ratio at end of the reporting period was as follows:

	2022 TZS '000	2021 TZS '000
<b>Borrowings</b>		
Bank loans and borrowings	9,745,860	8,432,734
Cash and bank balances	(1,702,264)	(1,544,183)
<b>Net debt</b>	<u>8,043,596</u>	<u>6,888,551</u>
<b>Total equity</b>	<u>(3,380,351)</u>	<u>418,852</u>
<b>Gearing ratio</b>	<u>(238%)</u>	<u>1,645%</u>

#### 24. COMPARATIVE FIGURES

Previous year's figures have been presented in thousands of Tanzanian Shilling (Tzs'000) regrouped wherever considered necessary to make them comparable with current year's figures.

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